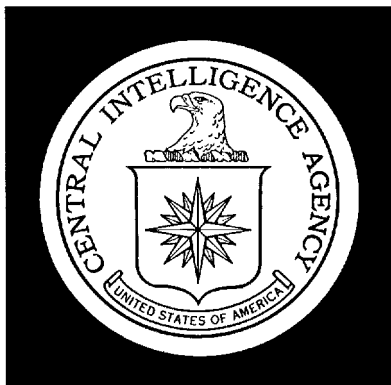


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State Department review completed

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Cambodia: Communist activity is increasing in Kompong Chhnang Province.

Enemy forces harassed Kompong Chhnang city with small arms fire on 19 July, and they also overran a government outpost north of the city on the Tonle Sap. In addition,

[redacted] the nighttime passage of some 2,000 to 3,000 "exhausted" Communist troops through a rubber plantation east of the city between 12 and 14 July. These troops probably were moving south from the Kompong Thom area, where the pressure has eased somewhat in recent weeks.

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Government forces are conducting clearing operations northeast of the city, and a Cambodian Army battalion is moving to retake the Tonle Sap outpost. On 19 July two Khmer Krom battalions were sent from Kompong Cham to strengthen government defenses at Kompong Chhnang city.

In Kompong Cham Province, the Communists fired some 20 mortar shells into the Mekong River town of Tonle Bet; light skirmishing also was reported on 19 July near the town.

In the south, a district administration center 30 miles southwest of Phnom Penh at Srang in Kompong Speu Province was occupied by the Communists on 19 July. Air strikes were called in, but late press reports claim that the fighting is continuing. Some enemy forces apparently are threatening the town of Tram Khnar five miles to the east, on Route 3. Both Srang and Tram Khnar reportedly contain sizable stores of food.

In the Countryside

The Vietnamese Communists apparently moved quickly to establish local hamlet committees in some areas of occupied Cambodia.

[redacted] a Viet Cong

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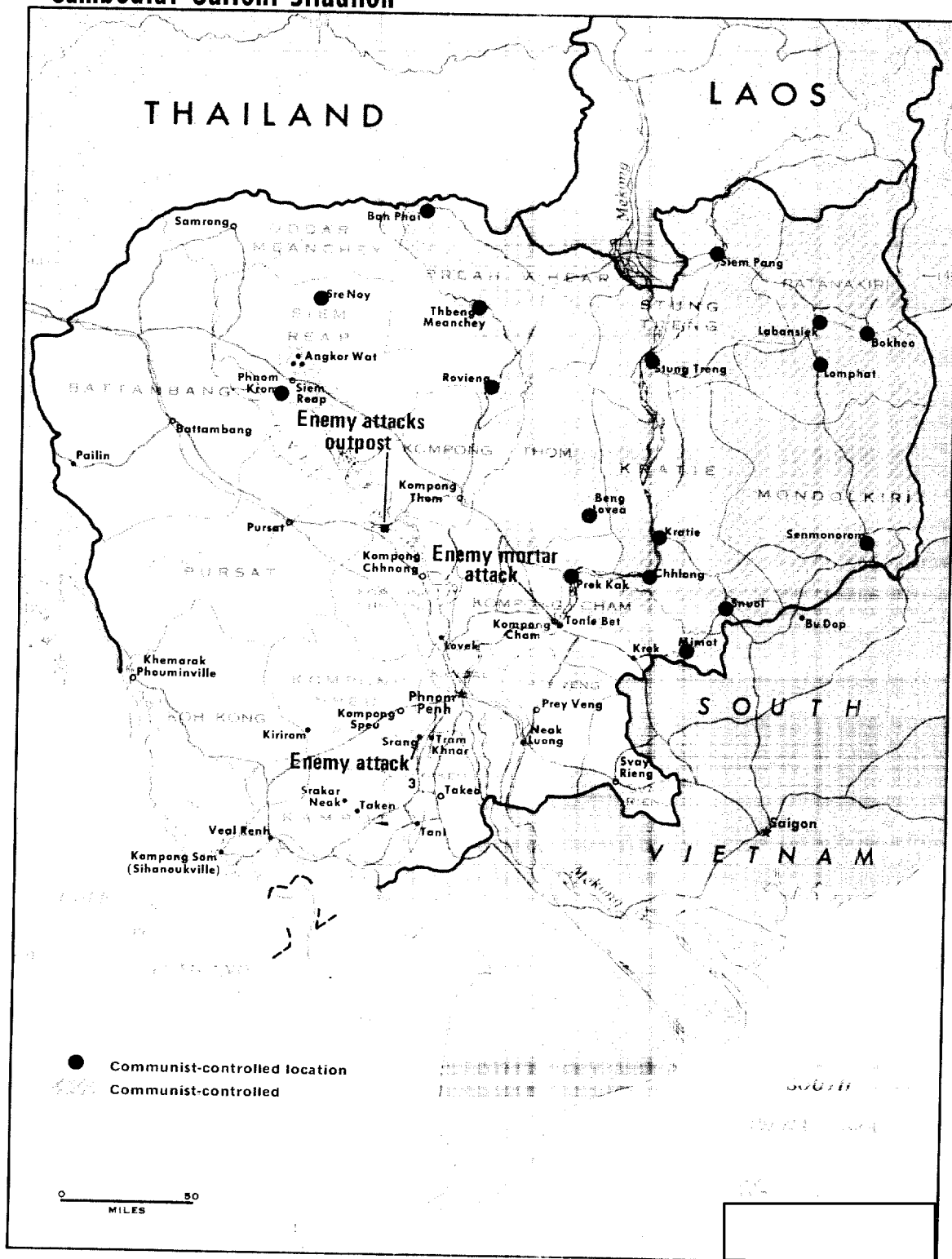
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Cambodia: Current Situation



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cadre and some armed Communist troops entered [redacted] and began organizational work. With the Communists' "encouragement," the residents chose a seven-man governing committee, and organized and began training a hamlet militia. Weapons were not issued, however. [redacted] the hamlet residents were generally satisfied with and supported the committee and that neighboring hamlets had similar committees.

The Communists thus appear to be following their manual on how to organize the indigenous population and are meeting with some success. Eastern Kompong Cham Province has a history of leftist influence, and was the scene of violent pro-Sihanouk demonstrations in late March. The Communists probably are having a tougher time lining up local support in other areas of Cambodia.

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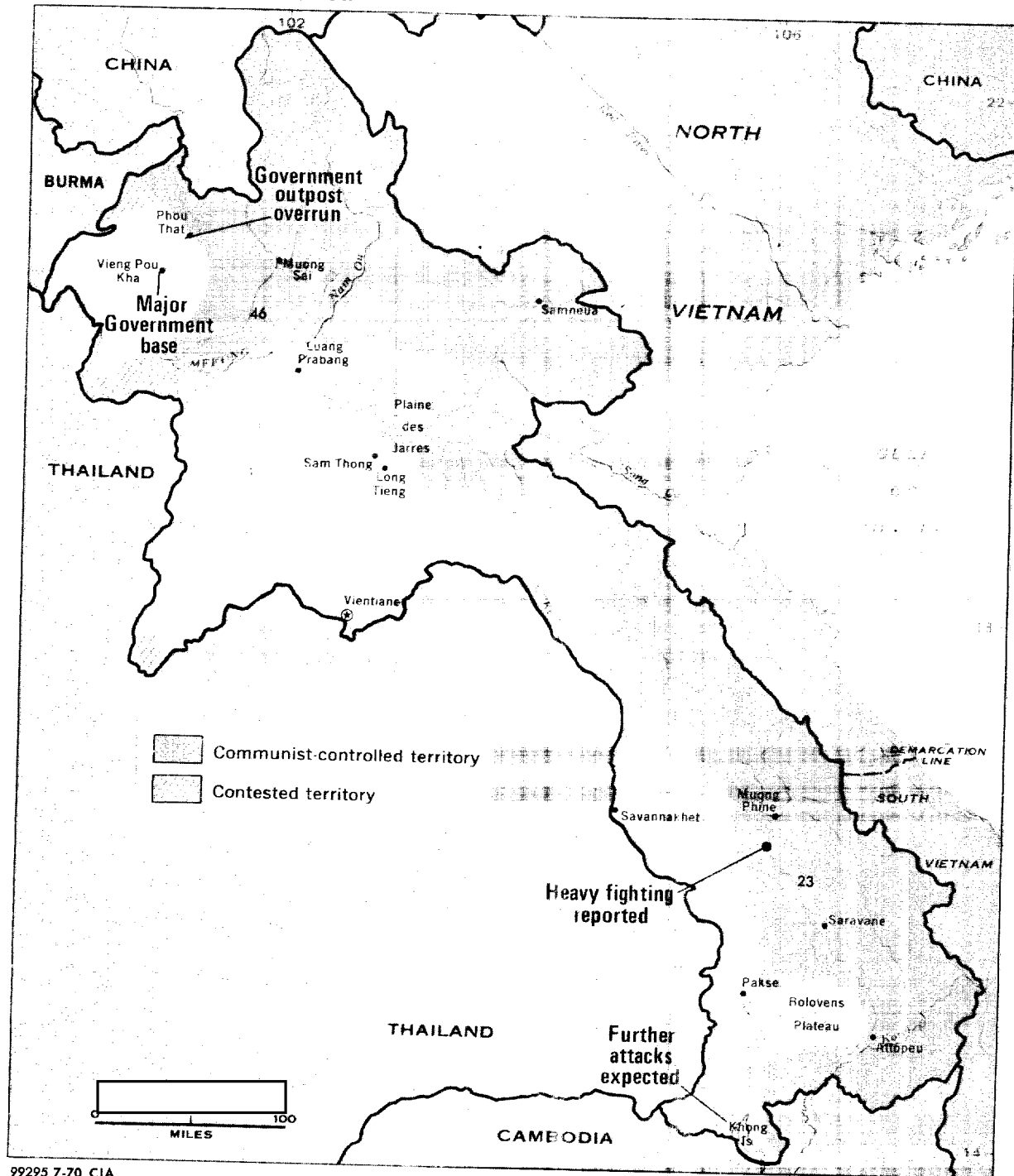
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Laos: Current Situation



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Laos: Enemy forces recently have struck hard in several areas.

In the far northwest, two Pathet Lao companies overran a government outpost at Phou That after a prolonged exchange of heavy weapons fire. The loss of this position is significant because of the protection it afforded the government irregulars' base at Vieng Pou Kha, one of the principal sites with access to the Chinese roadbuilders along Route 46.

For the past week, enemy forces have been unusually active around Khong Island near the Cambodian border. North Vietnamese and Pathet Lao troops followed up their earlier raids along the west bank of the Mekong River with a battalion-sized attack on government positions to the east of the island on 18 July. The attack was repulsed, but the Communists will probably keep trying to seize control of this area because of its position in the transportation corridor to the south. The government has flown in reinforcements for the Khong Island garrison. It is doubtful, however, that they will be enough if the Communists choose to employ the four-battalion force they are believed to maintain in the immediate area.

Elsewhere in the panhandle, three irregular battalions involved in the government's effort to harass the Communists' Route 23 supply line south of Muong Phine were forced to break contact on 18 July after two days of heavy fighting. Enemy casualties were substantial, and significant quantities of ammunition, weapons, food, and documents were reported captured or destroyed.

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Indonesia: President Suharto has firmly handled student charges of corruption in high places.

During two lengthy sessions on 14 and 18 July with student leaders, Suharto stressed that corruption in Indonesia can best be combatted slowly and that he will not tolerate any action that endangers economic development. He said he thinks the students' anticorruption initiative is generally constructive, but that much of the discussion in the press on the subject is merely sensation seeking. In response to blunt questioning, Suharto said he would tolerate political opposition as long as it was loyal.

Consistently sensitive to charges of corruption, Suharto has been particularly tolerant of student criticism. He sees much of Indonesia's corruption--which is actually modest when compared to that in some Asian countries--as developing from the basic economic problems that the government is trying to overcome. He has taken some remedial steps and has promised to submit an anticorruption bill to parliament, but he protects certain high-level officials in the belief that their contributions and particular talents outweigh their misdoings.

Judging from press accounts in youth and Catholic dailies, the students were impressed by Suharto's willingness to see them and by his effectiveness in defending a point of view with which they continue to differ. Although they cannot accept his "slow but sure" approach, one student leader wrote for publication that Suharto's methods may be mistaken, but he is a powerful leader who knows where he is going.

Partly as a result of Suharto's firm but courteous and straightforward handling of the issue, the students are not likely to attempt a major escalation, although they will continue their protests.

[REDACTED]

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USSR-Libya: Moscow has delivered its first shipment of military combat equipment to Libya.

25X1 A Soviet freighter was observed [redacted] 25X1
[redacted] offloading military equipment in Tripoli. The shipment included 32 T-54/55 medium tanks and 18 armored scout cars. The equipment was seen moving toward the former Wheelus Air Force Base. A second known Soviet arms carrier was noted awaiting berthing space in the harbor. Although Soviet arms have been observed in the country before, they are believed to have been received from Egypt.

25X1 Moscow has been eager to enlist Libya as an arms client ever since the coup in September 1969.
25X1 [redacted]

25X1 [redacted] Libya has been shopping for this type of equipment elsewhere, but recent Egyptian pressure to make the Libyan armed forces compatible with other Arab forces may have tipped the scales in Moscow's favor. [redacted] 25X1
25X1 [redacted]

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East Germany - West Germany: Party Chief Walter Ulbricht has reiterated East Germany's willingness to participate in a third summit meeting.

For the first time, he linked such a meeting to Bonn's signature of the nonaggression pact under negotiation with Moscow. In a conciliatory speech made last Friday in Rostock, the East German leader characterized Bonn's attitude toward the East as a recognition of European "realities." Taking note of Christian Democratic opposition to Ostpolitik, Ulbricht implied that Pankow might be willing to compromise on some of its demands, but he repeated that the talks "should" lead to diplomatic relations "on the basis of international law."

Ulbricht's remarks indicate he is well briefed on the progress of Bonn's talks with Moscow and Warsaw and does not wish to give the impression that his regime is the stumbling block to Chancellor Brandt's efforts to normalize relations with the East.

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India-Ceylon-Vietnam: The visits of Madame Binh to India and Ceylon are not likely to have a direct effect on the Southeast Asian policies of either government.

Indian officials have told the US Embassy that they consider the visit by the foreign minister of the Provisional Revolutionary Government (PRG) unimportant, but that they believe it is in India's interest to keep in touch with all elements in Vietnam. Madame Binh will see several high officials in New Delhi, including the prime minister, but the Indians designed the remainder of her itinerary to limit the public impact of her visit.

Madame Binh--who arrived in New Delhi on 18 July--has already called publicly for the establishment of diplomatic relations between the PRG and India, but there is no indication that New Delhi is now considering such a step. Moreover, Indian officials deny that there is any present intention to recognize Hanoi, a move that would probably precede recognition of the PRG. Nevertheless, the quasiofficial nature of her visit indicates that the PRG has at least some legitimacy in official Indian eyes.

Prime Minister Bandaranaike of Ceylon has already stated publicly her intention to establish relations with the PRG, and could use Madame Binh's visit--beginning next Monday--as the occasion for doing so. Such a move would be the last of a series of campaign pledges, which included recognition of North Korea, East Germany, and North Vietnam.

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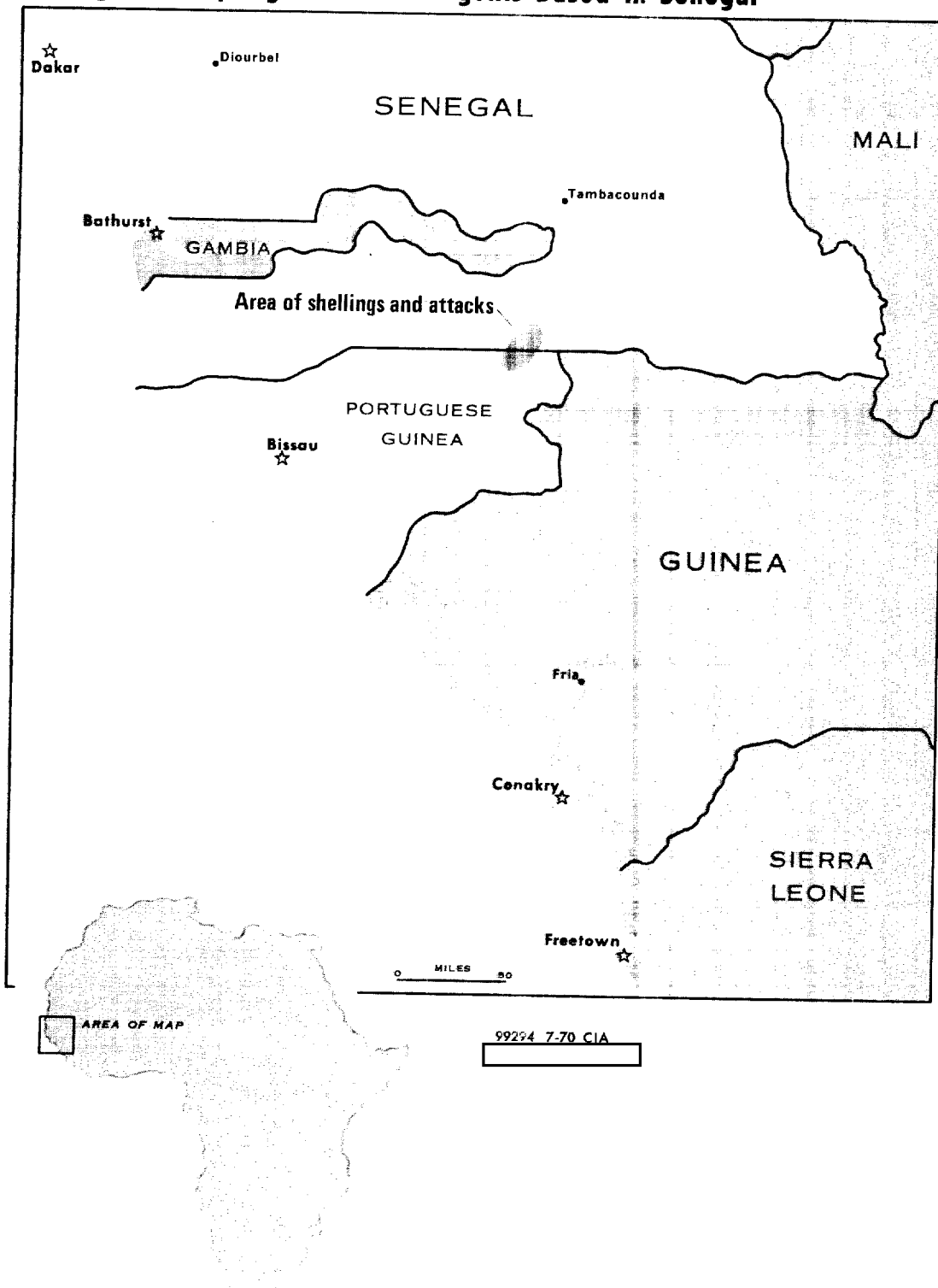
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Portugal Attempting to Curb Insurgents Based in Senegal



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Portugal-Senegal: Portugal is evidently trying to force Senegal to restrict the activities of resident guerrillas who have been raiding into Portuguese Guinea.

Lisbon has recently increased its military pressure along the border, to include, reportedly, the shelling of Senegalese towns. At the same time, the Portuguese have given considerable publicity to an alleged recent raid by forces of the African Party for the Independence of Portuguese Guinea and Cape Verde (PAIGC), implying that further retaliation against sanctuaries in Senegal may be in the offing.

President Senghor limited PAIGC activities earlier this year because of Portuguese pressure and domestic security problems arising from the insurgents' presence. The Senegalese Army has relaxed its efforts during the current rainy season, however, allowing the PAIGC to resume attacks from Senegalese territory.

Senghor is trying again to hold down PAIGC activities, but the public outcry over Portuguese attacks on Senegalese border towns will increase pressure on him to take a strong stand against Portugal. Senghor already has sent a letter of complaint to the UN and reportedly is asking France and other NATO countries to exert pressure on Portugal. [REDACTED]

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Honduras: The postponement of elections and the shortening of the legal campaign period may be part of a plan by President Lopez to extend his term of office.

Last week Congress amended the electoral law, rescheduling the 1971 presidential and congressional elections from the second Sunday in February to the last Sunday in March. The same bill reduced the official campaign period from five to three and a half months.

The postponement ostensibly is designed to provide more time for completion and distribution of voter registration lists. There has been a good deal of speculation, however, that Lopez will not step down at the end of his six-year term, and the postponement will give him more time to determine if he can stay in office and how this can be accomplished. Minister of the Presidency Ricardo Zuniga, who has engineered a government victory in every election since the 1963 coup, told the US ambassador recently that a postponement could be used to arrange for a constituent assembly, which would continue Lopez in office without elections under some form of "national unity" government.

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Bolivia: The attack Sunday against a US mining company--two German employees were taken hostage and equipment was sabotaged--indicates that guerrillas may be becoming active again. The company, South American Placers, has been the target of frequent labor demands for nationalization, and the attack could be an out-growth of that controversy. The Bolivian Army, however, believes it to have been the work of the Army of National Liberation, the offspring of Che Guevara's guerrilla force. The area north of La Paz has been declared a military zone, and troops have been deployed to pursue the 60-70 man guerrilla group. [REDACTED]

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Hungary: The Hungarian party's decision to convene its 10th party congress on 23 November as scheduled suggests that basic decisions have been made regarding some potentially controversial programs. The congress has been charged with "modernizing" the political system: it will consider constitutional reform, encouragement of local initiative, and cautious extension of "socialist democracy". Although the Soviets have been cool to these plans, the fact that the date will precede the Soviet party congress would indicate that the agenda has at least preliminary clearance from Moscow. Moreover, the Hungarians seem to think it will be to their advantage to complete their congress before Soviet policy guidelines harden in preparation for the meeting in Moscow next March. [REDACTED]

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